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Examiners' Report

June 2017

GCE Business 8BS0 01

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Introduction

This report is focused on the first paper 8BS01 'Marketing and People' that makes up the AS level in Business for the new specification. This report should be used by centres in order to provide teachers and candidates with further guidance as to how to approach answering questions. It could be used as one of the tools which can help candidates maximise their ability to score marks in future exam series.

This is the second year of the new exam format and some candidates are still not familiar with the requirements of the questions. Past papers could be used to allow candidates to become familiar with the layout, command words and requirements of each question type. Mark schemes could be made available to candidates to allow them to see what the examiners are looking for, this will help them to structure their answers correctly.

There was evidence in this exam that candidates did not have a good grasp of Theme 1 terminology. Many struggled with terms such as market orientation, market map, trade off and franchise, this consequently limited the marks they were able to achieve in this paper. Candidates should be encouraged to spend time learning key terms from the specification.

Question 1 (a)

This was a knowledge question. Examiners are looking for an accurate definition with two strands. Alternatively one strand and a relevant example could achieve 2 marks. Most candidates recognised that this meant setting prices in line with competitors, and some provided good examples using supermarkets to gain the second mark.

Question 1 (b)

This was another knowledge question. Examiners were looking for an accurate definition with two strands. Many answers provided for this question were vague and referred to focusing on the market rather than customer needs and wants. More able candidates recognised the need for market research to develop market orientated products.

This question was a knowledge question. Examiners were looking for a definition that was accurate and had two strands within the definition in order to award 2 marks.

(b) What is meant by market orientation?

(2)

Market orientation occurs when a business conducts market research to find out the preferences of its potential customers and tailoring its ~~product~~ product to appeal to these preferences ensuring that the product would have sufficient demand.



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Examiner Comments

This was a two strand response which provided an accurate definition and therefore gained 2 marks.



ResultsPlus

Examiner Tip

A good definition will consist of two strands of knowledge.

Candidates are advised to spend time learning key terminology from the specification.

(b) What is meant by market orientation?

(2)

Market orientation is what the focus of the market is on and the target audience they are reaching out to e.g. childrens toys.



ResultsPlus

Examiner Comments

This was a vague response, with no reference to customer needs and wants. The example did nothing to support the weak definition and simply provided an example market - 0 marks.

Question 1 (c)

The 4 mark questions required candidates to explain, construct or calculate. This question required them to explain, marks were awarded for knowledge, application to the context and analysis. There was no need for candidates to show evaluation skills in these questions.

Candidates showed poor understanding of how to build a brand and many simply lifted elements of the extract regarding market research and becoming more market orientated without explaining how this would build the brand. Those candidates that did show good knowledge were also able to provide analysis, but often only achieved one of the two available application marks due to a lack of application to the business context.

(c) Explain how M&S could build its clothing brand.

(4)

M&S could build its clothing brand through using social media in order to ~~not~~ advertise and promote M&S as a clothing brand, using celebrity endorsement to gain popularity and prestige among younger consumers. This in turn would make M&S appear more trendy and attract more consumers as a result of meeting younger consumers' needs. As a result, sales revenue would increase for M&S, gaining profit as a result - leaving retained product with which M&S could promote their brand further.



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Examiner Comments

This response showed knowledge by providing a way M&S could build its brand and added context by referring to M&S's plans to focus on younger customers, but lacked any further application which meant it only achieved one of the two available marks for application. There was some analysis so 3 marks were achieved overall.



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Examiner Tip

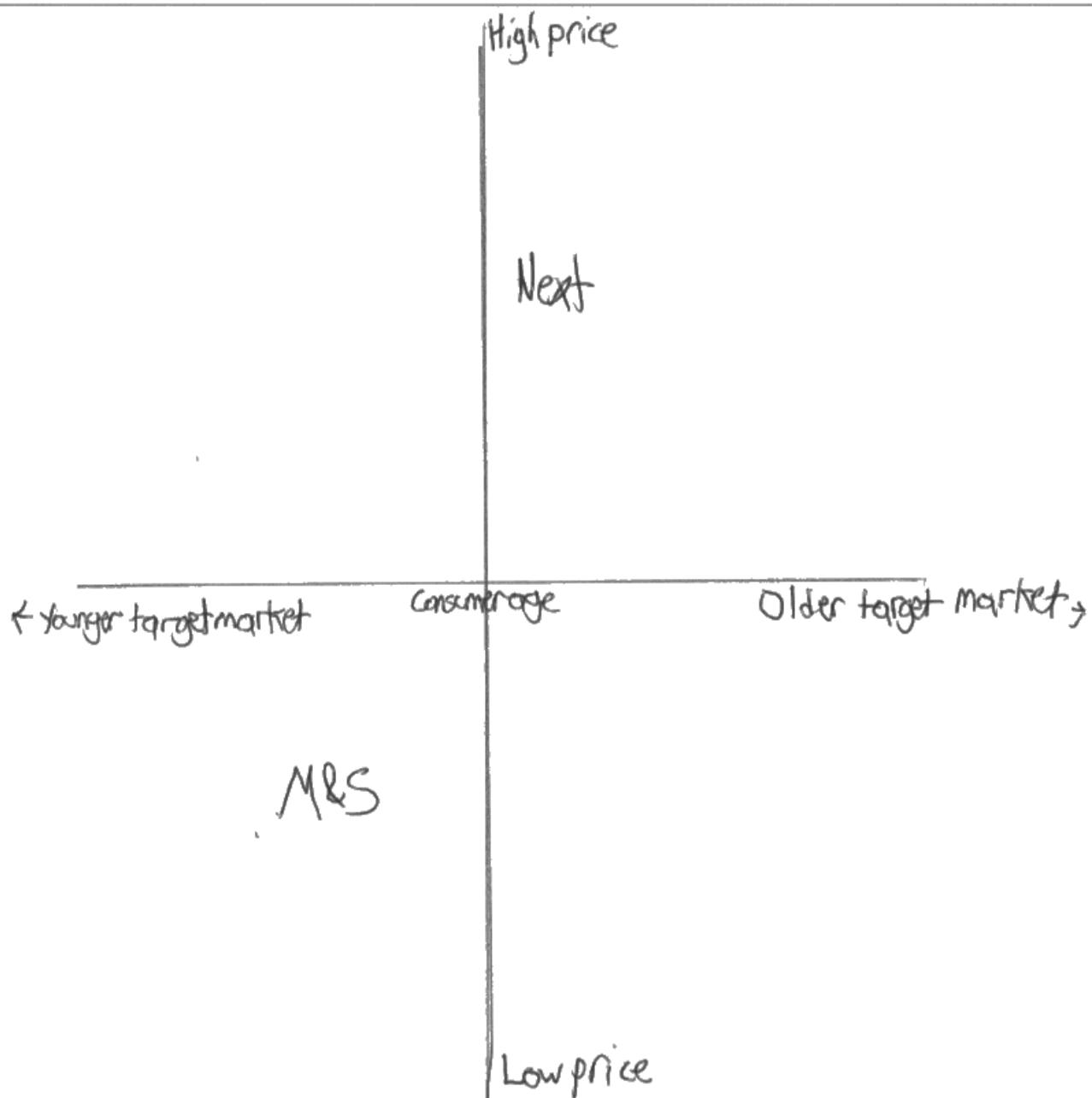
Explain questions require candidates to show knowledge, two points of application and analysis. These answers should be kept brief and can be practiced under timed conditions using the minute per mark rule.

Question 1 (d)

This question was a construct question. A significant number of candidates were unable to show any knowledge of market mapping and in some cases drew supply and demand diagrams instead. Those that did have knowledge of market mapping were able to label in context and suggest a number of competitors for M&S.

(d) Construct a market map to illustrate the impact of M&S's decision to aim its clothing range at a younger target market.

(4)





ResultsPlus

Examiner Comments

The labels were in context and the candidate made good use of Extract A to identify Next as a competitor. Many candidates suggested other competitors from their own knowledge which was also acceptable. This scored 4 marks.



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Examiner Tip

Candidates should have a good understanding of all concepts from the specification and be able to apply them to a range of businesses.

Question 1 (e)

The 8 mark questions required candidates to assess **two** factors/reasons/benefits/limitations etc. To achieve full marks candidates needed to balance both points with context on both sides of each point. A judgement/conclusion was **not** required.

This was a levels of response question where examiners were required to make a judgement and apply a line of best-fit approach to determining which level and which subsequent mark the response would be awarded.

Candidates struggled with this question and showed a lack of understanding of price elasticity of demand. Many identified factors affecting demand instead.

A noticeable number of candidates also failed to recognise that this was an 'assess' question which resulted in one-sided responses lacking any evaluative comments.

(e) Assess **two** factors that could influence the price elasticity of demand for M&S's clothing range. (8)

Price elasticity of demand is the sensitivity of quantity demanded to a change in price. The first factor that could influence the PED for M and S's clothing range is ~~the availability of substitutes~~. This will influence the PED for M and S because if there are good substitutes for their clothes, then people will substitute away from M and S if there is a change in price as they can get a similar product for a lower price, however if there aren't any good quality substitutes people will ~~still~~ continue to buy M and S ^{when} ~~if~~ there is a change in price. There are likely good substitutes however for M and S clothes, such as H and M and Next. So I would expect the PED to be quite elastic.

Another factor that could influence PED is the ~~strength~~ of the brand. If M and S ~~were~~ were to have a strong fashion brand then they would likely have an inelastic

PED because people will still buy M and S if price increases as they would see it as superior, so pay premium prices. The extract suggests however that the brand strength for M and S clothes is quite weak as the business is struggling in this area. This suggests a more elastic PED because people will substitute away when there is a change in price as they don't see M and S as superior, so won't pay premium prices.



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Examiner Comments

A good understanding of price elasticity of demand was demonstrated in this response. The candidate analysed two factors with some context. There was also some assessment in context for each point allowing this response to achieve Level 3.



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Examiner Tip

Candidates need to have a full understanding of price elasticity rather than just being able to provide the formula. Time should be spent discussing real business examples in relation to how elastic or inelastic they are as well as the factors that could increase or decrease elasticity.

Question 1 (f)

This was an 'assess' question which required candidates to demonstrate a full range of skills; knowledge, application, analysis and evaluation. A supported judgement was also required.

A levels of response mark scheme was used to allow examiners to apply a best fit approach when marking these questions.

Many candidates found this question challenging due to a lack of understanding of the term 'trade-off'. Some candidates confused this with opportunity cost. Those candidates that did understand the term were able to make good use of Extract A to provide a balanced response.

(f) Assess whether there is likely to be a trade-off for M&S when it targets a younger market segment for its women's clothes.

(10)

If M&S targets a younger market segment, they are likely to lose some of their older customers. This is because the older generation will not be interested in the clothing that is aimed at the younger people. This means that there is a possibility of the older customers shopping elsewhere, potentially leading to a negative effect on M&S. Also, M&S will need to spend money on promoting its new product range at the younger generation, to attract customers. This is not ~~guaranteed~~ guaranteed to be successful, because many young people may have become loyal customers to some of M&S' competitors, such as TOPshop, which could mean that M&S could see sales falling, and therefore, a reduction in profit, limiting their expansion. However, there may be a lack of clothes shops in an area, that target

the younger generation, meaning that in some stores, M&S could see a rise in sales and profits.

Overall, I think that there is ~~unlikely~~ likely to be a trade off, because the older generation will shop elsewhere if M&S stop targeting clothing at their age group, which could either have positive, or negative effects on the business, despite the fact that it is already a well-established brand, with loyal customers.



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Examiner Comments

The candidate showed an understanding of 'trade-off' and was able to apply this to M&S's decision to attract a younger market segment. They suggested competitors from their own knowledge which added further context and showed an understanding of the market. There was an attempt at evaluation, although it was not fully developed. The conclusion did not add anything as it did not provide a judgement or any new information. This response scored 7 marks.



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Examiner Tip

It would be useful for candidates to be familiar with the descriptors at each level of the mark scheme for 'assess' questions, in order to identify their own strengths and weakness and areas for improvement.

Question 2 (a)

This was a knowledge question. Examiners were looking for an accurate definition with two strands. Alternatively one strand and a relevant example could have achieved 2 marks. Most candidates were able to achieve the full 2 marks on this question with lots of ways to achieve this.

Question 2 (b)

This was a knowledge question. Examiners were looking for an accurate definition with two strands. Alternatively one strand and a relevant example could achieve 2 marks. Many candidates were able to suggest an example of a franchise, e.g. McDonalds, but in some cases were not able to provide any other knowledge to support their example. An example cannot achieve a mark on its own, but can help to support a weaker definition to achieve a mark or if there was a partially correct definition, a correct example could achieve the second mark.

(b) What is meant by a franchise?

(2)

A franchise is a business that sells the rights to trade under their name in exchange for royalties



ResultsPlus

Examiner Comments

This response provided a good definition, with two strands. The candidate recognised the 'right to trade under their name' and the need to pay for that right 'royalties'. This was a 2 mark answer.

A franchise is a well-known brand that sells its rights such as brand name, logo, to a franchisee in order to run a business. Examples of this are SSP operators Nando's, Burger King and Starbucks.



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Examiner Comments

This candidate showed a good understanding of the term 'franchise' and supported their definition with an example from Extract B. This allowed them to achieve 2 marks.

Question 2 (c)

This question required candidates to explain, marks were awarded for knowledge, application to the context and analysis. There was no need for candidates to show evaluation skills in these questions.

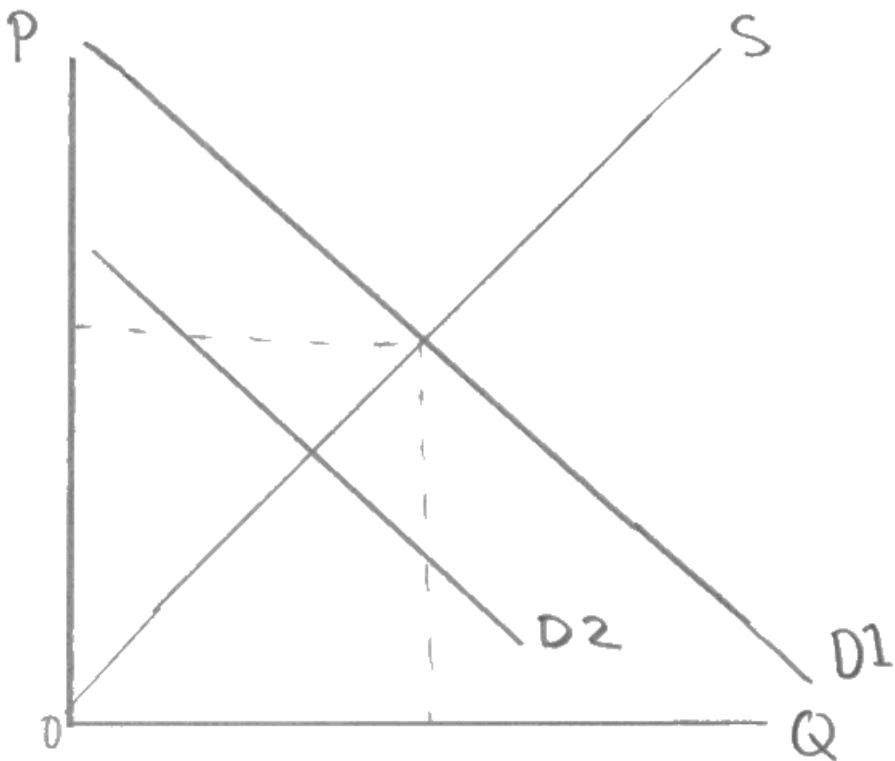
Candidates were generally able to show some understanding of a 'flexible workforce' often through examples such as working from home or zero hour contracts. Many were also able to apply this to SSP by suggesting the need for them to have employees working 24/7 in airports and that flexible working allows them to meet daily/seasonal changes in demand.

Question 2 (d)

This was a 4 mark construct question. Candidates were clearly well practiced in constructing supply and demand diagrams with the vast majority being able to achieve at least 2 marks for correctly labelled axis and supply and demand lines.

(d) Construct a supply and demand diagram to illustrate the likely impact of changing consumer tastes on Burger King.

(4)





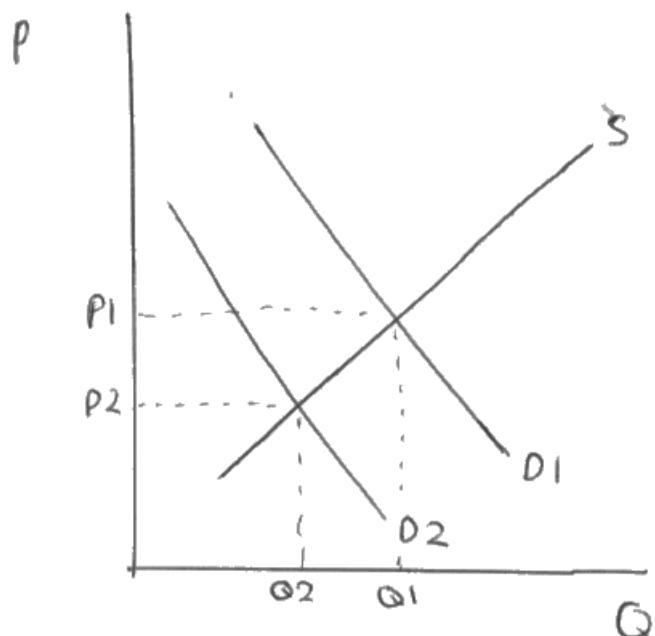
Although the candidate correctly interpreted the likely fall in demand for Burger King as a shift to the left in demand, they failed to identify the original and new equilibrium points. Although the original equilibrium was marked it was not labelled. This scored 3 marks.



Ensure all axis and lines are clearly and correctly labelled.

(d) Construct a supply and demand diagram to illustrate the likely impact of changing consumer tastes on Burger King.

(4)



As the tastes change to healthier food the demand for burger king would decrease also leading to a lower supply needed.



This response was clearly labelled and having identified the correct shift achieved full marks.

The written response beneath the diagram was unnecessary for a construct question and did not gain any marks.

Question 2 (e)

The 8 mark questions required candidates to assess **two** factors/reasons/benefits/limitations etc. To achieve full marks candidates needed balance both points with context on both sides of each point. A judgement/conclusion was **not** required.

Candidates were generally able to show knowledge of franchises and some of the benefits such as gaining sales by operating well-known brands and training/support from the franchisor. As with Q1(e), candidates often failed to recognise this as an 'assess' question and therefore provided one-sided responses.

Candidates were able to answer this question in two ways, either with SSP as the franchisee or the franchisor.

(e) Assess **two** benefits to SSP of operating franchises.

- increased growth
- income

(8)

A franchise is a business that purchases the rights to trade and operate under another business's name.

One benefit to SSP of operating franchises would be a huge increase in growth across the globe. This is because instead of using its own resources to set up business chains of businesses, they can give someone else the right to do it for them. As a result, if SSP gain a lot of franchisee's then rapid expansion and growth is likely to happen, ticking the box off that objective stated in Extract B.

However one drawback of operating franchises is that SSP will have to provide continual training and support to the franchisees. As a result this can cause a constant outflow of money from the business.

A second benefit to SSP of operating franchises would be an increased income for virtually doing nothing.

This is because the franchisee will run the business as if it was their own meaning that SSP does not have to constantly interfere and make decisions for that franchise, however the SSP will still receive monetary payments from the franchise. // However a downside would be that if SSP set up the business itself, it would get all the profits instead of small payments and royalties.



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Examiner Comments

This candidate provided two balanced benefits, but there was a lack of context which stopped them achieving full marks. This response scored 6 marks.



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Examiner Tip

Candidates could be encouraged to use more application in their responses, by creating a list of banned words which must be substituted with contextualised words. For example in this response instead of using the word 'businesses' this could have been replaced by 'food and drink outlets'.

Question 2 (f)

This was an 'assess' question which required candidates to demonstrate a full range of skills; knowledge, application, analysis and evaluation. A supported judgement was also required.

A levels of response mark scheme was used to allow examiners to apply a best fit approach when marking these questions.

Candidates showed a good understanding of motivation and were confident including motivational theorists in their answers. Many responses were textbook answers rather than showing an understanding of motivation in a business context and some lost focus on the question therefore not looking at the 'benefits to SSP'.

For some candidates there was some confusion between financial and non-financial techniques and it was clear that candidates were generally more confident discussing financial techniques than non-financial.

(f) Assess the likely benefits to a company, such as SSP, of using non-financial techniques to motivate employees.

(10)

A non-financial motivator is a technique a business can use to increase motivation of its staff without increasing employee's wage/pays. An example would be job enrichment or rotation. A benefit of this for SSP is it requires no extra costs for the business and would take more time to achieve, this would have the effect of by having a greater motivated staff product quality will increase as staff take more ownership in final production meaning customer needs are met more frequently which could lead to customer loyalty meaning more sales, greater revenue which results in increased profit.

However non-financial techniques only motivate staff if they follow Mayo's theory of human relations but if staff are more money motivated and follow Taylor's theory of Money Management financial techniques such as Performance related pay, Piece rate and fringe benefits would have to be used to motivate staff.

Another benefit to Non-financial motivation is there is less likely chance of job rotation. Staff leaving because they are satisfied with

Working conditions at SSP, this is good as it means SSP don't have to recruit as frequently meaning they don't have the extra costs of promotion for vacancy or training for the job and that staff will be more experienced and know what the business setup, objectives and demands are.

(Total for Question 2 = 30 marks)



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Examiner Comments

There were some good chains of analysis in this response, but no context. There was also an attempt at balance when weighing up the theories of Mayo and Taylor, but again without context. This was a Level 3 response.

Question 3

This question was designed to take elements from theme 1 and combine it with elements from theme 2 of the specification. Therefore, this question was designed to be synoptic in nature.

Most candidates were able to provide definitions of cost minimisation and ethical sourcing, but found assessing their impact on Maria Allen's business a challenge. The main error made by candidates was relating their answer to profit rather than the sales target provided in the question. Some candidates focused on how costs could be cut rather than the impact on the business/sales. These responses tended to be placed towards the top of Level 2 and bottom of Level 3 depending on the quality of the written skills demonstrated within the answer.

Candidates that were able to provide a balanced assessment of both options tended to do so in generic terms, with little or no reference to the context.

Maria Allen aims to reach sales of £500 000 by the end of the year. To achieve this, she could focus on ethical sourcing or cost minimisation.

3 Evaluate these **two** options and recommend which option would help Maria Allen meet her sales target.

(20)

I think that she should focus on ethical sourcing as this means she sources products from a safe working environment with workers on the correct wages. Even though she already stands out in a competitive market, this would give her another USP which in turn, would attract even more customers. ~~Her~~ Her commitment to ethical sourcing would be well received as she has high profile partnerships such as the British Museum and Tate Galleries. This would heighten her reputation and attract attention from more organisations wanting to be associated with her. This would attract more sales, and therefore more profit which would help reach her aim of £500,000 worth of sales.

However, by using ethical sourcing, this can lead to her prices being increased to an extent in which customers may think twice

about buying. This can have a devastating affect as she is already in a competitive market, which means she can lose demand to her competitors. Given it is a niche market, losing demand \Rightarrow means regaining it \Rightarrow extremely difficult and might happen if she ~~is~~ ethically sources materials. This can lead to a decrease in revenue and therefore profits.

I think that she should focus on cost minimisation which can be achieved by using cheaper materials or cheaper labour. This ~~will~~ could ultimately reduce the selling price which will create an increase in demand in a competitive niche market. ~~An~~ An increase in demand would lead to an increase in revenue and profit which could bring Maria closer to her target of £500,000 in sales.

On the other hand, given Maria's business is based on hand crafted and sustainable gifts, to an up market market including David Cameron, using ~~the~~ cost minimisation techniques such as cheaper labour could pose as risky. Customers expect a beautiful wooden gift and ~~it~~ could be disappointed if cheaper labour has been used as it could mean unexperienced. This could lead to ~~customer~~ a reputation for having an unreliable product portfolio with a decrease in sales. This therefore leads to less sales revenue and profit and Maria not reaching £500,000 worth of sales.

Overall, I think Maria should focus on ethical sourcing as it heightens her reputation for combining creativity with ethics. It also allows her to retain her high profile clients and attract new clients as it targets conscious consumers. It depends on whether she finds ethical sources which don't increase her selling price too much as it could upset some customers and lead to less demand. In conclusion, using ethical sources could help Maria to reach £500,000 worth of sales.



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Examiner Comments

The response provided assessment of both cost minimisation and ethical sourcing in relation to the sales target. Context was seen throughout and there was a good attempt at an in context conclusion. This response achieved Level 4.



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Examiner Tip

When reading a 20 mark question, candidates may benefit from underlining the two options and the factor that they must relate their answer to, in this case the sales target. This would give them focus and enable them to ensure they answer all elements of the question. This is also useful to refer back to when writing the conclusion.

Maria Allen aims to reach sales of £500 000 by the end of the year. To achieve this, she could focus on ethical sourcing or cost minimisation.

3 Evaluate these **two** options and recommend which option would help Maria Allen meet her sales target.

(20)

Ethical sourcing involving using re-claimed wood to avoid the need to ~~to~~ cut down more trees can be a good USP for the business that customers can buy into. This can encourage people to buy from Maria as she's offering a unique product to a niche market that has currently not got many competitors with the same ethical feel.

Additionally it means that customers are more likely to pay a higher price which means her overall sales revenue will be higher with each purchase. Meaning she'll reach the target of £500 000 quicker.

However having an ethically made product might not be the customers top deciding factor when buying it. There could be other influences like the price or ~~and~~ aesthetics. If the ~~#~~ jewelery is too far above the ~~standard~~ standard price for jewelery just because it's ethically sourced. Customers may be put off from buying it, especially since it's made from old wood which might not be the same quality.

Therefore being ethically sourced can be beneficial to encouraging interest to the product but it needs to be able to sell in order to meet her target.

Whereas cost minimisation by reducing the amount spent on the raw materials like wood will reduce the overall ~~is~~ contribution to fixed costs meaning there's room to either reduce the price in order to sell more to customers* or have high prices for a greater gross profit margin on each sale meaning she wont have to sell as many to meet her target.

* which will increase the sales revenue.

Although having low costs and therefore low prices could damage the brand and the high-end handcrafted feel and customers will question the quality that it is. Having prices that are too high might ~~detox~~ put off some customers as no matter what ethics are behind it it needs to be the right price.

There could be other factors like her promotion and advertising that will help further to raise awareness and encourage trial and then repeat purchases.

In conclusion, she should focus on keeping her costs as low as possible, especially as she expands to other more complicated ranges and experiment at what price sells but also gives enough profit when she meets the target. She might find that as the business scales, it's not financially worthwhile to use resources to collect the ethically sourced materials.

(Total for Question 3 = 20 marks)



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Examiner Comments

This response was not as well developed or contextualised as the previous one. However, the candidate did assess both options with a focus on sales. The conclusion did not answer the question.

Paper summary

Based on the performance on this paper, candidates are offered the following advice:

- read the extracts in each section carefully and make good use of the evidence in their answers
- learn the key terms in the specification
- for 'explain how' questions make sure they include two distinct elements of context/application or two applied examples
- provide balancing points in both Q1(e) and Q2(e) when asked to 'assess two'
- read question 3 carefully to ensure they answer the question fully, taking time to plan their answer.

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